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SUBJECT: CITIGROUP CONSIDERING REPRESENTATIVE OFFICE IN
AZERBAIJAN

REF: BAKU 489

Classified By: CHARGE D'AFFAIRES DONALD LU PER REASONS 1.4 (B,D).

¶1. (C) SUMMARY. Citigroup Europe Chairman Sir Winfried Bischoff told the Ambassador June 6 that Citigroup is seriously considering opening a representative office in Azerbaijan. There currently are no large international financial institutions with active offices in Baku and Citigroup's presence would signal Azerbaijan's growing economic profile. Bischoff briefed the Ambassador on his meeting with President Aliyev, characterizing it as excellent and productive. Aliyev also told Citigroup that Azerbaijan wants to be an East-West energy hub, including as a transit point for central Asian gas to Europe. END SUMMARY

¶2. (C) In a June 6 meeting with the Ambassador, Sir Winfried Bischoff, Chairman of Citigroup Europe, said that Citigroup was seriously considering opening a representative office in Baku. There currently are no large American banks operating in Azerbaijan. He added that other senior Citigroup officials would visit Baku in the coming weeks in order to review the commercial opportunities and macroeconomic environment. In the past year, several large European banks have opened or have considered opening offices in Azerbaijan, including BNP Paribas and Vneshtorgbank (VTB), in order to take advantage of the growing financial opportunities (reftel).

¶3. (C) Bischoff briefed the Ambassador on his meeting with President Aliyev, characterizing it as excellent and productive. President Aliyev outlined to Citigroup his goals of diversifying the economy and boosting the non-energy sector. Aliyev recognized that growing inflationary pressures were a concern but that the GOAJ would work to get inflation to single-digits. Bischoff stated that Citigroup was enthusiastic about the opportunities in Azerbaijan but recognized the many challenges facing the GOAJ, including combating corruption.

¶4. (C) Aliyev also told Citigroup that Azerbaijan wants to be an East-West energy hub, including as a transit point for central Asian gas to Europe. President Aliyev added that the current profit split will shift in favor of Azerbaijan next year, translating into higher energy revenues. Aliyev told Citigroup that Azerbaijan wants to attract more foreign investment, especially international banks, in order improve the overall banking sector.

¶5. (C) COMMENT: Citigroup's interest in opening an office in Azerbaijan reflects Azerbaijan's growing economic profile. Citigroup's interest in Azerbaijan was elevated after BNP Paribas organized a syndicated loan for SOCAR in 2006 with several European banks; J.P. Morgan also recently concluded a

debt deal with IBA. We welcome the potential involvement of U.S. banks in Azerbaijan and believe these leading U.S. institutions could help promote further reform and liberalization of the economy. END COMMENT.
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